



# Benefit Focus Bulletin

Department of Administration, Office of Group Insurance, Boise, ID

July 2005

## Special Notice to Participants in Flexible Spending Account Program

### **IRS Modifies the “Use It Or Lose It” Rule Which Applies to Flexible Spending Accounts**

The IRS has modified the “use it or lose it” rule that applies to Flexible Spending Accounts, which allow State of Idaho employees to pay for eligible health care and dependent daycare expenses on a tax-free basis.

The IRS ruling allows employers to extend the period for incurring health and dependent care expenses that can be claimed against their FSA accounts for up to two and one-half months after the end of the plan year.

This rule modification is effective immediately.

**The State implemented this extension for the plan year, which ended June 30, 2005.** If you participated in the State’s Flexible Spending Account, you will have an additional 2 ½ months to incur eligible expenses and receive reimbursement for those expenses from the FSA. The grace period will run from July 1, 2005 through September 15, 2005. During this period, you will be able to incur qualifying expenses and receive reimbursement for those expenses from the FSA plan provided there are sufficient funds in your account, and those funds were set aside prior to June 30.

With the implementation of this revision, all participants will be allowed to set funds aside over a 12-month period, and incur expenses over a 14 ½ month period. The September 30 deadline for filing those expenses will remain the same.

The new rule is intended to give participants more time to pay for medical and dependent care expenses; and also ease the year-end spending rush prompted by the prior rule, according to IRS officials.

The Office of Group Insurance is available to answer your questions on this new IRS regulation and can be reached at **332-1860**.



**Department of Administration**  
Office of Group Insurance  
650 West State Street, Room 100  
Boise, ID 83720-0035

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